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UNCLAS SECTION 01 OF 03 YEREVAN 000093

SIPDIS

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COMMERCE FOR 4201/ITA/IEP/OEERIS/BISNIS/EHOUSE  
EMBASSIES - PLEASE PASS FCS  
DEPT FOR EUR/CACEN, EB/CBA  
ANKARA ALSO FOR CFC/ SNYDER/BALLINGER  
PASS TDA-STEIN, OPIC, EXIM-TUMMINIA/PANARO

E.O. 12958: N/A

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SUBJECT: (IMI) ARMENIA: MINING SECTOR

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SUMMARY  
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**¶11.** This cable reviews the current condition of Armenia's growing mining and minerals sector. It describes recent sector developments and provides key contacts. End Summary.

**¶12.** Armenia has significant deposits of copper, molybdenum and gold as well as smaller deposits of zinc, lead and silver. All of Armenia's known mineral resources have now been privatized. There are working enrichment plants and smelters near most mines. Most mining companies operating in Armenia have investment commitments to upgrade their facilities and expand production, which may create export opportunities for U.S. equipment suppliers. A few firms are looking for investment partners or debt financing to expand their existing operations -- see paragraphs 6 and 7.

**¶13.** Armenia's largest mining asset, the Kajaran copper-molybdenum mine in Armenia's southern Syunik region was privatized in December 2004. A consortium of companies led by the German Cronimet has taken over the Zangezur Copper-Molybdenum Plant JSC and expects to produce 18,000 tons of copper and 4,000 tons in molybdenum concentrates annually. The consortium plans on an extensive initial investment to upgrade the mine and plant.

**¶14.** The smaller Agarak copper-molybdenum mine is also located in the Syunik region near the town of Meghri on the Iran-Armenia border. It has resources of 38.5 million tons of ore grading 0.38 percent copper and 0.025 percent molybdenum. U.S.-based Comsup Commodities purchased the Agarak Copper-Molybdenum Plant JSC in 2003. The company plans to invest USD 3.5 million within 2004-2005.

**¶15.** The Kapan mine is located near the Syunik region's capital Kapan. The first plant in this field was Kapan Ore-Dressing plant, established in 1935. The Swiss company Deno purchased the Kapan plant in 2002. The operation has the capacity to produce 3,700 tons of copper and 6,000 tons of zinc in concentrates per year, plus gold and silver. Deno is planning to invest up to USD 10-12 million in the plant.

**¶16.** U.S.- and Canadian-owned Metal Prince owns the mining and exploration rights for three copper mines, one gold-polymetallic, one zinc polymetallic and one polymetallic mine located in Armenia's Lori region. In addition, the company owns an enrichment plant producing copper concentrate containing 23-26 percent copper. Metal Prince plans to invest USD 10 million in developing its Akhtala and Armanis polymetallic mines. The company has an ongoing project to construct a new enrichment plant near Armanis mine and increase the capacity of the existing Akhtala plant. The overall investment needed for the implementation of the company's projects is USD 100 million. To complete these projects, Metal Prince is seeking financing in the form of debt financing, partnership or a joint venture.

**¶17.** Armenian Copper Program (ACP) owns and operates the Alaverdi Smelter, which is the largest smelting facility in the region. ACP's main activity is the processing of ore and ore concentrate and production of blister copper for export to European refineries. Currently ACP has the capacity to produce up to 10,000 metric tons of blister copper from copper concentrate. The company has contracts with both the Zangezur Copper-Molybdenum Plant and Metal Prince for the supply of copper concentrates. The European Bank for Reconstruction and Development (EBRD) has provided a credit of USD 4.5 million under the Pre-export Financing Agreement with ACP. The EBRD has also

provided ACP with technical consultancy on environmental issues. The revenues of ACP are growing; the company projects revenues of USD 40 million in 2004.

¶8. ACP also has an exploration license for two major mines in Teghut (copper-molybdenum) and Alaverdi (copper). The company is also involved in the exploration of Hankadzor (copper), Tandzut (copper-gold-sulfur) and Margahovit (gold) mines. ACP has contracted a Canadian company Strathcona Mineral Services to conduct feasibility studies on the Teghut mine. The company needs additional investments of approximately USD 100 million to develop these mines. ACP seeks foreign investors to join its mining projects.

¶9. Armenia's mining sector is regulated by the Mining Code and the Concession Law of 2003. Both laws clarify the rights and responsibilities of government entities and mining and exploration companies. The government body responsible for the mining sector is the Department of Mineral Resources under the Ministry of Nature Protection. It issues licenses as well as monitors both exploration and production operations. The Ministry is also responsible for environmental controls.

¶10. Due to significant increase of prices for copper and molybdenum in international markets (a tenfold increase for copper over the past three years) copper and molybdenum production in Armenia is growing rapidly.

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